

**NEBRASKA INVESTMENT COUNCIL  
MINUTES OF THE MEETING OF  
March 17, 2010**

A regular meeting of the Nebraska Investment Council convened at 8:36 a.m. at the Embassy Suites Hotel in Lincoln, NE.

Public notice was posted on the Nebraska Public Meeting Calendar on March 5, 2010, and published in the Lincoln Journal Star on March 10, 2010. Ms. Werner-Robertson chaired the meeting until departing at 1:15 p.m. and Mr. Maginn chaired the remainder of the meeting, and Ms. Dawes recorded the minutes.

**MEMBERS PRESENT:**

Ms. Gail Werner-Robertson, Chairwoman (departed at 1:15 p.m.)  
Dr. Richard DeFusco  
Mr. John Maginn  
Mr. John Dinkel  
Treasurer Shane Osborn (arrived at 9:00 a.m. and departed at 1:10 p.m.)  
Ms. Phyllis Chambers

**MEMBERS ABSENT:**

Mr. Norm Riffel

**NONMEMBERS IN ATTENDANCE:**

Mr. Jeff States, State Investment Officer  
Ms. Kathy Dawes, Council Secretary  
Mr. Christopher Heinrich, Harding & Shultz  
Mr. Kevin Vandolder, Ennis Knupp + Associates  
Mr. Chris Riley, Ennis Knupp + Associates  
Mr. Joe Jurich, Nebraska Investment Council  
Ms. JoLynn Winkler, Nebraska Investment Council  
Ms. Gayle Wrasse, Nebraska Investment Council  
Ms. Catherine Polleys, Ennis Knupp + Associates  
Ms. Heather Christopher, Ennis Knupp + Associates  
Ms. Rachel Biar, Director, College Savings Program  
Ms. Tinamarie Probyn, First National Bank

**ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 8:36 a.m. to 8:37 a.m.** Ms. Werner-Robertson stated that a copy of the Open Meetings Act is located on the side table.

**APPROVAL OF THE MINUTES OF THE FEBRUARY 17, 2010 MEETING: 8:37 a.m. to 8:39 a.m.** Mr. Maginn moved that the February 24, 2010, draft of the minutes of the February 17, 2010, meeting be approved with the following changes: (1) page 2, third paragraph, the "second" by Mr. Maginn was omitted and should read, "Mr. Maginn seconded the motion."; (2) page 2, agenda item seven, correct spelling of services, which should read "ENNIS KNUPP BACK OFFICE SERVICES UPDATE". Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Maginn Mr. Dinkel Ms. Werner-Robertson
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ABSTAINING:	Dr. DeFusco
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ABSENT NOT VOTING:	Mr. Riffel
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The motion carried.

**COUNCIL MEMBER BUSINESS: 8:39 a.m. to 8:41 a.m.** Ms. Werner-Robertson welcomed everyone to the meeting and informed the Council that Mr. Riffel had a prior commitment and was unable to attend today's meeting and that Treasurer Osborn would be arriving shortly, but would need to leave early due to legislation currently before the State Legislature. Ms. Werner-Robertson also stated that because of another commitment, she would be leaving the meeting around 1:00 p.m. today and that Mr. Maginn would serve as chair at that time. Ms.

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Werner-Robertson stated the following change to the agenda, item #11 *College Savings Plan – State Farm Plan* would be given after agenda item #7, *BlackRock Company Review*. Ms. Werner-Robertson also indicated that the strategic planning retreat is scheduled for July 14-15, 2010, at Quarry Oaks Golf Club near Ashland, NE. Review and evaluation of the current asset allocation will be discussed as well as conducting Mr. States' annual performance review. Ms. Werner-Robertson stated that the retreat will allow the Council quality discussion without interruptions.

**REAL ESTATE PORTFOLIO PERFORMANCE AND MANAGER RECOMMENDATION  
PRESENTATIONS BY ENNIS KNUPP: 8:41 a.m. to 10:15 a.m.**

**Introduction of Catherine Polleys:** Ms. Christopher introduced Ms. Catherine Polleys, Principal, who joined Ennis Knupp in October 2009. Ms. Polleys leads the firm's global real estate research group and is the primary consultant for a select number of Ennis Knupp's real estate retainer and project clients. Ms. Polleys discussed her background and work experience with the Council. Copies of Ms. Polleys' bio were distributed to the Council.

**Market Update & Performance:** Ms. Polleys and Ms. Christopher reviewed the Real Estate 3<sup>rd</sup> Quarter Performance Report included in the meeting book. Ms. Polleys and Ms. Christopher discussed the market environment, the portfolio's investments, and how they performed relative to their benchmark. Mr. Maginn requested that future reports include the style of commitments and expected returns.

**Introduction of Landmark Partners:** Ms. Polleys and Ms. Christopher reviewed with the Council a new fund being offered by Landmark Partners. Landmark Partners is a private equity and real estate investment company specializing in secondary funds. The fund, Landmark Real Estate Fund VI, L.P., is a fund of funds whose strategy is to invest in seasoned secondary interest of primarily Value-Added and Opportunistic funds with a targeted net return of 18-20%. Ms. Christopher indicated that Ennis Knupp has conducted a thorough qualitative and quantitative assessment of Landmark Partners. Ms. Polleys discussed the investment merits and concerns associated with the firm. Ms. Christopher indicated that Ennis Knupp recommends that the Council commit \$40 million to Landmark Real Estate Fund VI, L.P. A copy of their presentation was included in the meeting book.

Treasurer Osborn arrived at 9:00 a.m.

**PRESENTATION BY LANDMARK PARTNERS: 10:15 a.m. to 11:10 a.m.** Mr. States introduced Mr. Robert Dombi, Partner and Mr. James Sunday, Principal. Mr. Dombi and Mr. Sunday's presentation gave an organizational overview of the firm, secondary investments, and investment strategy. A copy of the presentation was included in the meeting book.

Following the presentation by Landmark Partners, Mr. Maginn moved to commit \$40 million to Landmark Real Estate Fund VI, L.P., pending legal review of the Limited Partnership Agreement by counsel provided by Ennis Knupp and by the Council's attorney. Dr. DeFusco seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Maginn
	Mr. Dinkel
	Ms. Werner-Robertson
	Dr. DeFusco

ABSENT NOT VOTING:	Mr. Riffel
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The motion carried.

The Council took a break and reconvened at 11:30 a.m.

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**COLLEGE SAVINGS PLAN – ADOPTION OF INVESTMENT LINE-UP RECOMMENDATIONS: 11:30 a.m. to 11:45 a.m.** Mr. Riley discussed with the Council the March 5, 2010, memo included in the meeting book regarding issues from previous Council meetings on the investment manager structure and asset allocation for the First National Bank (FNB) College Savings Plan of Nebraska program. After discussing each of the concerns and how they are being resolved, Mr. Riley indicated that Ennis Knupp is comfortable with the proposed manager structure as well as the asset allocation modifications that were discussed since First National Bank's original proposal to manage the CSPN. Mr. States introduced the following FNB representatives: Mr. John Allbery, Relationship Manager, Mr. Brian Moreland, Relationship Manager, Mr. Stacy Auman, Investment Officer, and Ms. Deborah Goodkin, Program Manager. They discussed the fee structure and mapping strategies included in the meeting book. Following their presentation, Mr. States stated that he recommends that the Council approve the proposed manager structure, asset allocation, and mapping strategy. Following additional discussion by the Council, Dr. DeFusco made the following motion: I hereby move as follows:

A. To approve the allocation guidelines, investment options, underlying funds and expense ratios (the "Allocation Guidelines") of the College Savings Plan of Nebraska (the "Plan") as presented to the Council today by First National Bank for the purpose of the Program Management Agreement which is currently being negotiated between First National Bank and the Council / the State Treasurer. The Council reserves the right (i) to revoke its approval of or to modify the Allocation Guidelines at any time before entering into the Program Management Agreement, and (ii) at any time after entering into the Program Management Agreement, to modify the Allocation Guidelines in accordance with the terms and conditions of the Program Management Agreement.

B. To approve the investment options mapping strategy of the Plan from Union Bank & Trust to First National Bank as present to the Council by First National Bank, and further to authorize the State Investment Officer to enter into such agreements on behalf of the Council to effectuate the conversion of the Plan from Union Bank & Trust to First National Bank on terms and conditions the SIO deems to be in the best interest of the Plan and its participants.

Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Dinkel
	Ms. Werner-Robertson
	Dr. DeFusco
	Mr. Maginn

ABSENT NOT VOTING:	Mr. Riffel
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The motion carried.

**BLACKROCK COMPANY REVIEW: 11:45 a.m. to 12:40 p.m.** Mr. States introduced Mr. Rob Capaldi, Managing Director, Mr. Andy Phillips, Managing Director, and Mr. Trey Heiskell, Director. The Council had requested BlackRock update it on the recent merger of BlackRock and Barclays Global Advisors. Their presentation which was included in the meeting book included the following: (1) overview of the firm; (2) fixed income review; (3) BlackRock mortgage investors review; and (4) equity and fixed income index review.

**COLLEGE SAVINGS PLAN – STATE FARM PLAN 12:40 p.m. to 1:12 p.m.** Mr. Heinrich updated the Council on the status of the negotiations relating to the Oppenheimer settlement. Mr. Heinrich indicated that Nebraska is in the process of finalizing the settlement agreement with Oppenheimer. Mr. Heinrich reviewed and discussed the proposed settlement agreement with the Council. Mr. Heinrich reported that the proposed settlement agreement had been reviewed and approved by the Attorney General. Following discussion by the Council, Mr. Maginn made the following motion:

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I move to approve the proposed terms of the Settlement Agreement presented to the Council.

I further move to authorize the State Investment Officer (the "SIO"), to finalize, negotiate, settle and compromise any unresolved terms and conditions of the Settlement Agreement on behalf of the Council with Oppenheimer Funds, Inc. and its affiliated companies, consistent with the scope and direction provided to the SIO by the Council at today's meeting. The SIO shall have the authority to execute and deliver all documents related thereto on behalf of the Council.

The final Settlement Agreement shall be subject to final approval by the Nebraska Attorney General and review of the Council's attorney, and shall be entered into jointly with the Nebraska State Treasurer.

Upon execution of the Settlement Agreement by all parties, a copy of the signed Settlement Agreement shall be made a public record.

Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Ms. Werner-Robertson
	Dr. DeFusco
	Mr. Maginn
	Mr. Dinkel

ABSENT NOT VOTING:	Mr. Riffel
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The motion carried.

Treasurer Osborn left the meeting at 1:10 p.m.

**PROPOSED POLICY ON PLACEMENT AGENTS: 1:12 p.m. to 1:15 p.m.** Mr. States reviewed the draft of the revised "Policy Regarding Disclosure of Third Party Representation of Nebraska Investment Council Investment Managers" included in the meeting book, which was previously discussed at the February 17, 2010, meeting. Mr. States indicated that the primary concern of the Council at that time with the proposed policy was the need to reference the NIC's Code of Ethics, Policy on Conflicts of Interest and Council Procedures, which are now included in the policy. Following discussion by the Council, Mr. Dinkel moved to adopt the policy as written. Mr. Maginn seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Ms. Werner-Robertson
	Dr. DeFusco
	Mr. Maginn
	Mr. Dinkel

ABSENT NOT VOTING:	Mr. Riffel
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The motion carried.

Ms. Werner-Robertson left the meeting at 1:15 p.m.

**NPERS Director's Report: 1:15 p.m. to 1:30 p.m.** Ms Chambers distributed copies of NPERS' Annual Report. Ms. Chambers informed the Council that along with the NIC, NPERS will give its annual report to the Legislative Retirement Committee on March 23, 2010. Ms. Chambers reported that the audit of the Defined Benefit Plans has been completed and that the audit of the State and County Plans will start this week. Ms. Chambers reviewed the status of legislative bills involving retirement matters and also reported that completion and final payment to Saber is scheduled for this June.

**STATE INVESTMENT OFFICER'S REPORT: 1:30 p.m. to 2:09 p.m.**

**Annual Report:** Mr. States distributed copies of the NIC's 2009 Annual Report to the Council and stated that the Report will be given to the Legislative Retirement Committee on March 23, 2010. Mr. Maginn asked that a section summarizing the investment history of the NIC be added to next year's report.

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**Legislative Update:** Mr. States updated the Council on legislation which directly affects the Nebraska Investment Council. A copy of his report was included in the meeting book.

**July Board Retreat:** Mr. States discussed the upcoming strategic planning retreat scheduled for July 14-15, 2010, at Quarry Oaks Golf Club. Mr. Vandolder stated that Ms. Nancy Williams and Mr. Armand Yambao from Ennis Knupp will also be attending the retreat.

**University Fund N Update:** Mr. States informed the Council that he had recently met with members of the University Foundation's Permanent Endowments Committee. Mr. States also reviewed the 4<sup>th</sup> Quarter Performance Report for the University of Nebraska-Fund N, which was included in the meeting book.

**Galliard Portfolio Update:** Mr. States reviewed with the Council the Galliard report included in the meeting book. Mr. States informed the Council that ongoing monthly phone meetings are scheduled with Galliard and NIC staff members.

**Agency Budget Update:** Mr. States reviewed the Agency's February 28, 2010 Budget Report included in the meeting book and indicated that the Agency is under-budget for the month and fiscal YTD.

**IMA's executed since the last meeting:** Mr. States stated that no agreements were executed since the last Council meeting.

**Action Plan, conferences, and articles:** The next Council meeting will be on May 26, 2010, at the Lincoln Embassy Suites. Mr. States indicated that the Council's Audit Committee will be meeting with the NIC's Internal Auditor following today's meeting. A report by the Committee will be given at the May meeting.

**PUBLIC COMMENT ON THE AGENDA: 2:09 p.m. to 2:10 p.m.** Mr. Maginn asked if there was any public comment on the agenda. There was no public comment on the agenda.

At 2:10 p.m. Mr. Dinkel moved to adjourn the meeting. Dr. DeFusco seconded the motion. Mr. Maginn called for a roll call vote.

VOTING AYE:

Dr. DeFusco  
Mr. Maginn  
Mr. Dinkel

ABSENT NOT VOTING:

Mr. Riffel  
Ms. Werner-Robertson

The motion carried.

  
Kathy Dawes, Secretary